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**U.S. House of Representatives
Resources Committee
Water and Power Subcommittee**

**Field Hearing
Implementation of the California Plan for the Colorado River – Opportunities and Challenges**

**La Quinta, California
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Mr. Chairman and Members of the Subcommittee, thank you for inviting California to participate in today's field hearing on implementation of California's draft Colorado River Water Use Plan. I am pleased to be here this morning on behalf of Governor Davis.

My testimony today will highlight the State's perspective on actions associated with the local water agencies' execution of the proposed Quantification Settlement Agreement. As you know, California's continued receipt of the benefits provided by the Department of the Interior's Interim Surplus Guidelines is contingent upon execution of the QSA by the end of 2002. It is crucial that these benefits remain in place. Without them, urbanized Southern California would lose about half of its historical Colorado River water supplies.

Background

California's draft Colorado River Water Use Plan describes water management actions to be taken in the near-term to reduce California's use of river water, and identifies other actions that need further evaluation before they can be implemented. Actions identified for near-term implementation by the local agencies involved in Water Use Plan preparation include lining the remaining unlined sections of the Bureau of Reclamation's All-American and Coachella Canals, implementation of the proposed Imperial Irrigation District-San Diego County Water Authority transfer, and development of groundwater conjunctive use and storage projects. The Plan also describes actions that may be taken by individual water retailers or water users, especially within urbanized Southern California, to reduce their dependence on imported water supplies. These actions, including water conservation, water recycling, and groundwater management projects, are eligible for State financial assistance from voter-approved bond measures. DOI adoption of the Interim Surplus Guidelines for the Colorado River system and development of certain water administration/water accounting procedures are also key components of the Plan.

As members of this Subcommittee are aware, the Interim Surplus Guidelines describe how USBR will manage Lake Mead releases over the next 15 years. The Guidelines, which became effective last year, have been characterized as providing a “soft landing” for California agencies while they carry out actions to reduce their use of river water as described in the draft Plan. The Guidelines allow a greater fluctuation in reservoir operating levels within the historical range of Lake Mead operations, providing increased certainty that Metropolitan Water District’s Southern California service area will continue to experience a full Colorado River Aqueduct through federal declarations of surplus conditions. The Guidelines additionally provide the benefits of surplus declarations to urban water users in Southern Nevada and Arizona.

The Guidelines contain incentives for California to implement the draft Water Use Plan in a timely manner. They provide that if California does not meet specified water use reductions during the 15-year period, Lake Mead operations will revert to their historical mode of avoiding flood control spills and MWD will bear the associated risk of shortages to its urban service area. The Guidelines are further contingent upon execution of the proposed Quantification Settlement Agreement developed by the California local water agencies who are also appearing before the Subcommittee today. If the QSA and its related agreements are not fully executed in their final form by December 31, 2002, the benefits to California of the Interim Surplus Guidelines will be suspended until such time as the agreements are completed, and the reliability of Southern California’s water supplies will be compromised. More than half of Southern California’s imported water supplies come from the Colorado River. A half-empty Colorado River Aqueduct would have a devastating impact on the region’s economy and employment base.

The proposed QSA was developed by the local water agencies as an outgrowth of preparing the draft Water Use Plan, in recognition that new Colorado River water management practices, such as proposed agricultural to urban water transfers, could not be implemented without further quantification of the agencies’ rights and priority to use of Colorado River water. The now-in-force Seven Party Agreement of 1931 makes only a partial division of California’s interstate apportionment of Colorado River water. Most importantly, the 1931 agreement does not specifically quantify the 3.85 MAF of water contained in its first, second, and third priorities and allocated to the agricultural agencies, in particular the division of third-priority water among the agencies. The agreement also does not set forth water operations or accounting procedures to be used for its administration.

The proposed QSA is an over-arching agreement that incorporates water budgets associated with Plan implementation and links together other separate agreements associated with elements of the Water Use Plan. These other agreements include, for example, ones for the IID-SDCWA transfer and ones for the agencies’ water acquisition arrangements for implementing the water budgets. The QSA further identifies specified conditions precedent for its implementation, including completion of the California Environmental Quality Act and National Environmental Policy Act review processes, acquisition of environmental permits and approvals (such as those associated with the California Endangered Species Act and federal Endangered Species Act), and State Water Resources Control Board approval of the proposed IID-SDCWA transfer.

The process associated with local agency execution of the QSA and related agreements

entails approval of the agreement package by the agencies' boards of directors, by which time the agencies must have completed necessary environmental and regulatory compliance actions. Within the past year, three major environmental documents directly associated with QSA implementation were released for public review -- a programmatic document for the QSA itself, a document for the proposed IID-SDCWA transfer, and document for water operations and accounting measures needed for the Bureau's participation in QSA implementation. With closure of the public comment periods on these draft documents, the agencies can now prepare responses to the comments. The SWRCB began its hearing on the proposed IID-SDCWA transfer in April, and will issue its decision after reviewing the comments on the environmental documentation. Additionally, the Legislature has taken up revisions to California's fully protected species statutes -- revisions that, although not specifically identified as conditions precedent in the QSA, would further enable QSA implementation as well as ongoing operations of Colorado River facilities. The Davis Administration supports Senator Kuehl's efforts in SB 482 to mesh the fully protected species concept with CESA provisions.

State of California Actions Required for Implementing the QSA and Interim Surplus Guidelines

Continuation of the benefits provided by the Interim Surplus Guidelines is contingent upon the local agencies' execution of the QSA. The State is not signatory to the QSA. The State actions specifically required for QSA implementation are associated with various approvals needed by the local agencies. The California Department of Fish and Game is responsible for environmental review of QSA-related impacts, and has been working closely with the U.S. Fish and Wildlife Service to coordinate comments on pending environmental documentation and CESA/ESA incidental take permits. Avoidance and mitigation of Salton Sea impacts are of most immediate importance in terms of timely QSA implementation. CDFG has formally notified IID as to the biologically acceptable alternatives for carrying out the proposed IID-San Diego transfer, and a joint CDFG/U.S. Fish and Wildlife Service letter expanding on this finding is now being finalized. SWRCB will use the agencies' findings pursuant to CESA and ESA in its decision on the IID-SDCWA transfer.

Subcommittee members are probably aware of the extensive testimony that was presented during SWRCB's hearing regarding the IID-SDCWA transfer's potential adverse impacts to the Salton Sea. The Salton Sea is an important and unique environmental resource in Southern California, supporting numerous and diverse resident and migratory bird species. Mr. Chairman, I want to emphasize that this Administration will not approve an action that further jeopardizes the Sea's already fragile ecosystem. Rather, we are committed to working closely with transfer proponents to ensure that the transfer can go forward in a manner that does not adversely impact the Sea and the surrounding communities.

The only other State action specifically needed for QSA implementation is California Department of Water Resources approval of an exchange agreement between MWD and Coachella Valley Water District associated with the QSA water budgets. This agreement, in which MWD and CVWD exchange 35,000 acre-feet of Colorado River water supplies for a like amount of State Water Project supplies, is similar to an existing, long-standing agreement between the two agencies, and does not require new infrastructure. MWD and CVWD both already hold contracts with us for SWP supplies.

State of California Actions Facilitating QSA and Water Use Plan Implementation

While the State actions specifically required to enable local agency implementation of the QSA are limited, the Davis Administration is firmly committed to doing everything possible to ensure that the Interim Surplus Guidelines remain in place. State agencies have placed the highest priority on helping the local agency signatories of the proposed QSA with the regulatory reviews and approvals. The Department of Fish and Game, for example, has been meeting weekly with IID to work through environmental issues associated with the proposed transfer. SWRCB began its hearings on the transfer concurrently with the public review of draft environmental documentation, to ensure that the hearing process could be completed in ample time for QSA execution.

We fully recognize the seriousness of failing to execute the QSA by the end of this year. It is unrealistic to expect that DOI and the other Basin States would allow California to continue the excess use of Colorado River water provided for through the surplus declarations established in the Guidelines. The Guidelines, a joint proposal of all seven Basin States to DOI, have been in force for a year and a half. California's local agencies were extensively involved in developing the Guidelines and were aware of their requirement for having an executed QSA by the end of 2002. Present hydrologic conditions make compliance with the Guidelines' conditions even more critical. The Colorado River Basin is experiencing drought conditions. Last water year's inflow to Lake Powell was 59 percent of the long-term average. Forecasted Lake Powell inflow this water year is only 30 percent of average. Total Colorado River Basin reservoir storage is dropping to nearly 70 percent of capacity, approaching a low experienced only twice in the last quarter-century. This spring, the Governors of Wyoming, Colorado, Utah, New Mexico, and Arizona either declared drought emergencies or requested federal designation as disaster areas due to drought. I cannot imagine that the other Basin States would not demand that the Secretary of the Interior hold California to the terms of the Interim Surplus Guidelines.

California has made substantial financial assistance available to the local agencies to assist in Water Use Plan implementation. Subcommittee members may recall the \$235 million in State general funds authorized for lining parts of the All American and Coachella Canals and for groundwater storage projects. CDWR has executed agreements with the local agencies making this funding available to them. The groundwater storage project being funded is MWD's Hayfield project, located adjacent to the Colorado River Aqueduct at Hayfield Valley. The Hayfield project is already being implemented; the canal lining projects are at the design stage.

In addition to monies specifically targeted for Water Use Plan implementation, financial assistance provided by recent State bond measures will further help local agencies in Southern California reduce their reliance on Colorado River water. Statewide, the 1996 Proposition 204 made available \$60 million for water recycling loans/grants and \$25 million for groundwater recharge and water conservation loans, plus \$2.5 million for Salton Sea environmental studies. Proposition 13 in 2000 provided \$40 million for water recycling loans/grants, \$155 million for recharge and water conservation loans/grants, \$200 million for groundwater storage grants, and \$235 million for Santa Ana River watershed project grants that include groundwater reclamation/water conservation/water recycling. Last month, another water bond measure qualified for California's November 2002 ballot via the initiative process. If approved by the voters, this \$3.4 billion measure would provide additional funding to help local agencies reduce their use of

Colorado River water.

We in California may be faced with the unusual and fortunate circumstance – especially at this time of tight state budgets nationwide – of having significant State bond monies available for actions such as groundwater storage or water recycling that will help local agencies reduce their use of river water. The soft landing provided by the Interim Surplus Guidelines is critical to providing Southern California water suppliers with the lead time necessary for putting the actions in place. We cannot risk the economic disruption that would occur if California were suddenly limited to its basic interstate apportionment of Colorado River water.

Conclusion

The challenge before the local agencies entails working through complicated institutional issues to achieve Water Use Plan goals, while at the same time being responsive to the agencies' communities. In the weeks and months ahead, I want to assure you, Mr. Chairman, that the Davis administration is firmly committed to working hand in hand with the local agencies to ensure that the benefits provided by the Interim Surplus Guidelines remain in place for California. Thank you for the opportunity to appear before you today. I look forward to answering any questions you may have.

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